

Investment Objective

The aim of the **VIP Conservative Portfolio** is to provide investors with a reliable income stream with the potential for moderate capital growth over the medium to long term from investment within a diversified portfolio heavily weighted to defensive assets (70% allocation to fixed interest and cash) and holding some growth assets (30% allocation to Australian shares, International shares, and property securities).

The portfolio is composed of 30 – 60 securities and consists of ASX listed securities, Exchange Traded Funds (ETFs), Listed Investment Companies (LICs), Managed Funds, Government and Semi Government Bonds, Term Deposits and Cash.

Performance Review

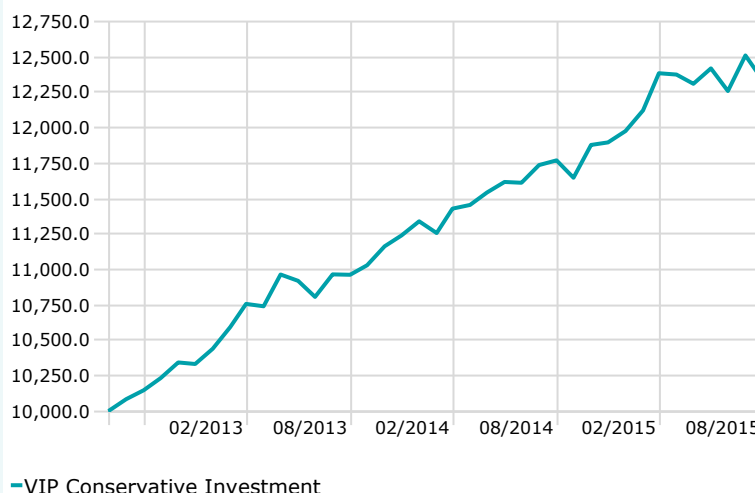
The VIP Conservative portfolio generated a -1.31% return pre-fees in August, and -0.36% return pre-fees in the quarter.

Over the last year the portfolio has generated a 6.21% return pre-fees and over 3 years 8.17%. Over 1 to 3 years and since Inception the portfolio has achieved performance above our Conservative Composite Index.

The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in the table below.

Investment Growth

Time Period: 30/06/2012 to 31/08/2015



Trailing Returns

As of Date: 31/08/2015

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Conservative	-1.31	-0.36	0.26	6.21	7.51	8.17	8.39	8.25
VIP Conservative Investment	-1.42	-0.69	-0.42	4.79	6.07	6.72		6.85
VIP Conservative Super-Pension	-1.37	-0.56	-0.14	5.36	6.66	7.31	7.53	7.39
VIP Conservative Composite Index	-1.60	-1.32	-1.74	5.11	7.21	7.56	8.16	8.02

Tactical Asset Allocation

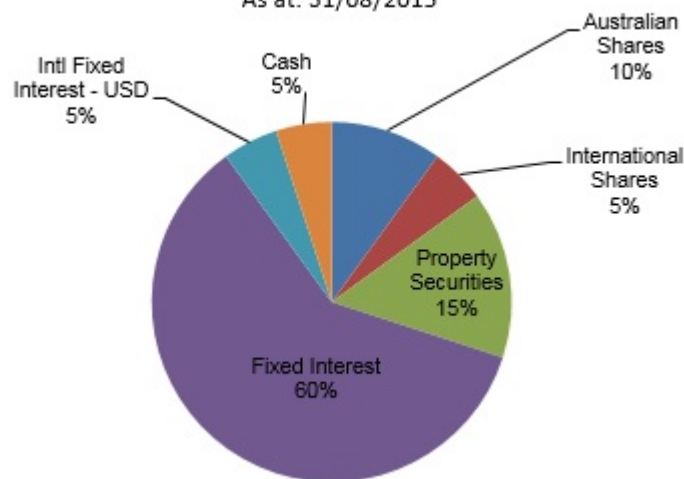
The VIP Conservative portfolios asset allocation as at 31/08/2015 was as follows:

- Australian Shares 10%
- International Shares 5%
- Property Securities 15%
- Fixed Interest 60%
- International Fixed Interest - US dollars 5%
- Cash 5%

In August the *VIP Investment Committee* increased Growth Assets by 6%, and Fixed Interest by 10% in order to utilize excess cash.

Conservative Portfolio TAA

As at: 31/08/2015



Risk vs Return

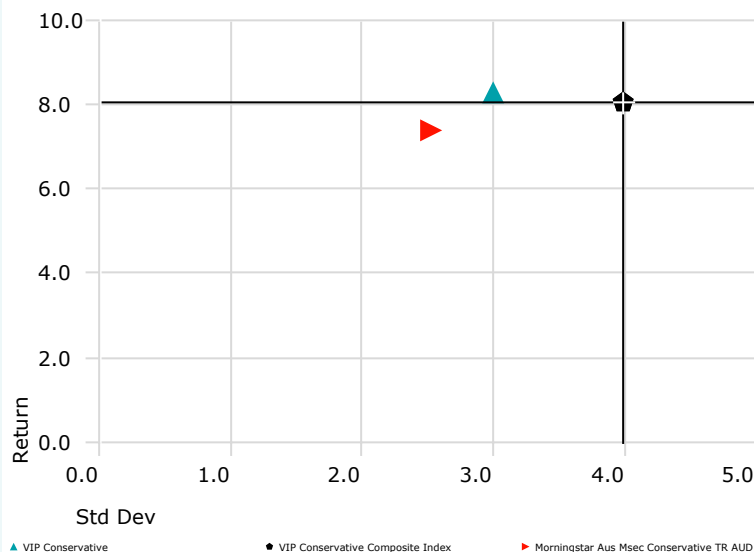
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-sector Conservative Index.

The chart on the right plots return on the vertical axis against risk (in the form of Standard Deviation) on the horizontal axis. Basically the higher up the vertical axis (high return) and the more left on the horizontal axis (low risk) is the ideal position that we aim for over the long term.

The chart on the right shows that the VIP Conservative portfolio (aqua triangle) has achieved **lower risk** compared to the Conservative Composite Index (black pentagon) and **higher return** and **lower risk** than our peers represented by the Morningstar Multi-sector Conservative index (red triangle) and since inception on 01/07/2011.

This is the outcome we aim to achieve for our investors.

Risk-Reward



Month in Review - Economic & Market Commentary

Can He TURN the Market BULL?

Amidst yet another raid on the Prime Minister's office with Malcom Turnbull emerging victorious, the country is presented with a fresh crop of promises and the image of a brighter tomorrow under the new government. Safe to say, the Australian public have every right to be sceptical of the words that come out of our Prime Minister's mouth given the history of Australian politics. However, it isn't ridiculous to imagine a larger boost in the economy than usual, particularly with Turnbull's incredibly strong resume and a history in international business circles. While there is no doubt that global factors such as concerns over China and US interest rates will continue to be the major elements in the market, the Australian investor can be quietly confident that the Turnbull government has the potential to sway the economy in their favour.

It is widely known that Turnbull is independently successful as a result of a prosperous career in investment banking, including his own investment banking firm Whitlam Turnbull & Co Ltd and most notably as a partner of Goldman Sachs. The Prime Minister also has exhibited a deft ability to master policy detail, and is known to 'favour business friendly policies such as a smaller NBN and an emissions trading scheme,' as noted by chief market strategist Michael McCarthy. Needless to say, Turnbull's credentials provide authenticity to his plans to build a positive economic climate.

The newly inducted Prime Minister plans to do this via a more positive economic reform agenda, which consists of a largely inclusive approach in terms of his cabinet ministers, a concept that is contrary to Abbott's approach. This in effect could already have a positive play on local share prices. However, and perhaps at an even larger level, the belief in a government's ability to manage the economy can thoroughly boost consumer and business confidence, which in itself will boost the economy.

The result of consumer and business confidence is evident in a rise in spending and investment in their own businesses, two factors that can lead to an increase in employment. This prosperity can prove to be infectious, with greater spending leading to higher business revenues, which as a result brings about more investments. As stated by McCarthy, 'This virtuous circle then repeats, and growth in the economy increases with each cycle, driving further improvement.' While whether or not Turnbull is able to implement his cohesive policy approach remains to be seen, the sentiment that he has the ability to do so is a great thing in the eye of the investor.

Compare this to a lack of confidence, as we have seen over the past 2 years, it can have adverse effects in terms of consumer and business spending as well as everything that follows. Whether true or untrue, the *belief* that a leader is incompetent can create an environment in which businesses and individuals alike are reluctant to part with their earnings amidst the fear that the government is unable to pilot the Australian economy out of a spiralling nosedive if it were to happen.

Such a boost in confidence is not unheard of. As noted by ANZ chief economist Warren Hogan, 'A similar surge in business confidence was evident when the Coalition won government in late 2013.' While expectations of Turnbull are high, it must be observed that he does not have the necessary resources to pump prime the Australian economy immediately, given that federal budget is largely in deficit. His task will be to carry out the promised economic management policy and sow the seeds of long term growth. As investors, while we can revel in the perks of consumer and business confidence, whether Turnbull's seeds will grow to bear fruit only time will tell.

Source: Michael McCarthy (CMC Markets), David Bassanese (Betasharesblog), Mark Mulligan (Sydney Morning Herald)

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a -8.89% return for the month and -9.04% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in August by 0.96% and underperformed by 0.39% over the quarter.

Over the last year the portfolio has generated a 1.16% return pre-fees outperforming the ASX 100 index by 3.83%.

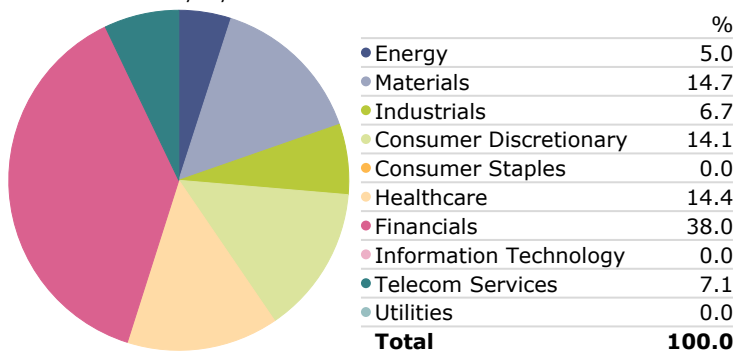
The **Top 3 Contributors** for the month were Aristocrat Leisure Ltd -1.52%, Harvey Norman Holdings Ltd -2.69%, and Ramsay Health Care -6.61%; and the **Top 3 Detractors** for the month were Origin Energy Ltd -24.96%, Australia and New Zealand Banking Group Ltd -14.53%, and Bendigo and Adelaide Bank Ltd -12.93%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
RBA Bank accepted Bills 90 Days		
Westpac Banking Corp	WBC	8.82
Australia and New Zealand Banking Group Ltd	ANZ	9.58
James Hardie Industries PLC CDR	JHX	2.54
Aristocrat Leisure Ltd	ALL	1.95
CSL Ltd	CSL	1.84
Ramsay Health Care Ltd	RHC	2.10
Bank of Queensland Ltd	BOQ	8.55
Telstra Corp Ltd	TLS	7.75
Bendigo and Adelaide Bank Ltd	BEN	9.54
Harvey Norman Holdings Ltd	HVN	6.33
Brambles Ltd	BXB	3.26
Lend Lease Group	LLC	4.44
DuluxGroup Ltd	DLX	5.74
Origin Energy Ltd	ORG	7.50

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 31/08/2015



Australian Shares Portfolio Adjustments:

The VIP Investment Committee decided to sell Ansell Ltd (ANN). ANN has performed well over the last year with growth being derived from acquisitions and new product developments. However, currency fluctuation coupled with ongoing uncertainty in Russia and Brazil have led ANN to issue FY 2016 guidance lower than the expected range. It is based on this lower guidance that we recommend selling the ANN holding.

International Shares Portfolio

The VIP International share portfolio generated a -3.46% return for the month and -1.30% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index in August by 0.32% and over the last 3 months by 0.79%.

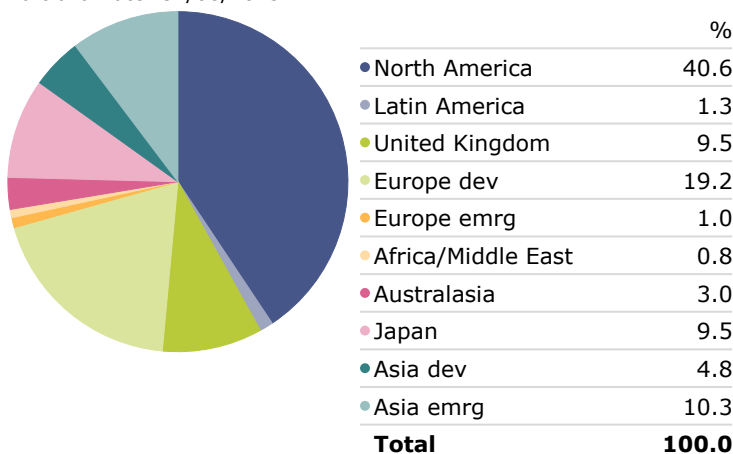
Over the last year the portfolio has generated a 27.67% return and outperformed the index by 0.18%.

The **Top Contributors** for the month were Magellan Global -2.10%, and Morphic Global Opportunities -2.44%; and the **Top Detractors** were the Vanguard All-World ex-US Shares ETF -4.14%, and Platinum International Fund -4.11%.

The Portfolio's equity regional exposure is shown below.

VIP International - Equity Regional Exposure

Portfolio Date: 31/08/2015



VIP International - Holdings

Portfolio Date: 31/08/2015

	Global Category
Magellan Global	Global Equity Large Cap
Platinum International Fund	Global Equity Large Cap
Vanguard All-World ex-US Shares ETF	Global Equity Large Cap
RBA Bank accepted Bills 90 Days	
Morphic Global Opportunities	Global Equity Large Cap

International Portfolio Adjustments:

The VIP Investment Committee did not make any changes to the portfolio in August.

Property Securities Portfolio

The VIP Property Securities portfolio generated a -6.05% return for the month and -3.72% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 1.96%, and over the quarter by 1.34%.

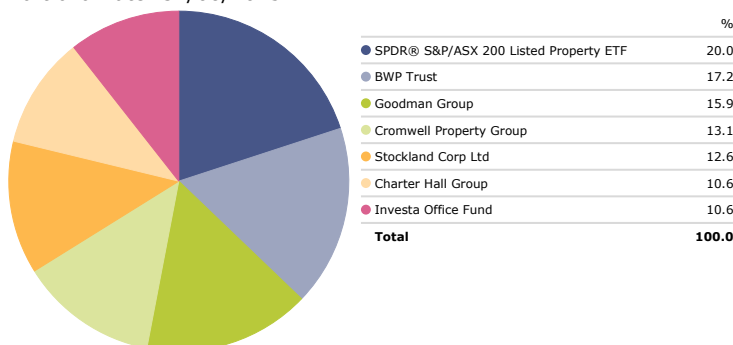
Over the last year the portfolio has generated a 11.06% return and underperformed the index by 3.13%.

The **Top Contributors** were Investa Office Fund -2.78%; and the **Top Detractors** were Cromwell Property Group -8.07%, Stockland Corp Ltd -8.00%, and Goodman Group -6.73%.

The portfolios holdings and dividend yields are included below.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/08/2015



VIP Property Securities - Holdings

Portfolio Date: 31/08/2015

	Ticker	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	SLF	
BWP Trust	BWP	5.33
Goodman Group	GMG	3.95
Cromwell Property Group	CMW	8.24
Stockland Corp Ltd	SGP	6.40
Charter Hall Group	CHC	5.71
Investa Office Fund	IOF	5.07

Fixed Interest Portfolio

The VIP Fixed Interest portfolio generated a 0.11% return for the month and 0.39% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.64% over the month and 1.00% over the quarter.

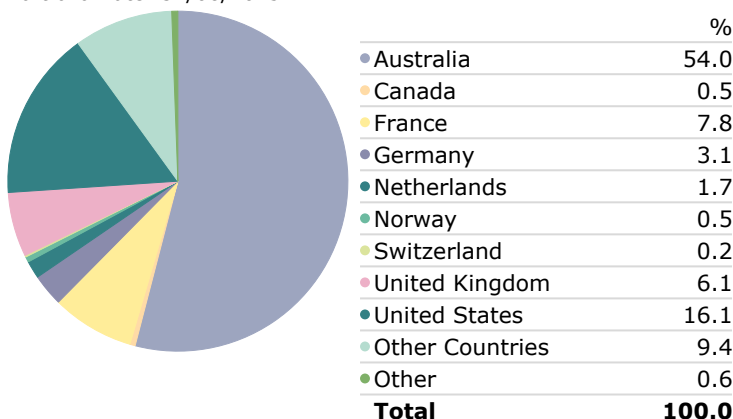
The portfolio underperformed the index by 0.53% over the month, and underperformed the index 0.61% over the last 3 months.

The **Top Detractors** for the month were the RBA Bank accepted Bills 30 Days +0.17%, Bentham Wholesale Global Income -0.65%, and Realm High Income -0.03%.

The portfolios country exposure is included below.

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/08/2015



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 31/08/2015

	Income Return 1 Yr (Mo-End)
iShares Composite Bond	3.98
RBA Bank accepted Bills 30 Days	
Bentham Wholesale Global Income	5.60
Realm High Income	3.88

Property Securities Portfolio Adjustments:

The *VIP Investment Committee* did not make any changes to the portfolio in August.

Fixed Interest Portfolio Adjustments:

The *VIP Investment Committee* did not make any changes to the portfolio in August.

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